

## S E C O N D   Q U A R T E R   1 9 9 9

**PrimeWest Energy Trust reports 71 percent higher cash flow in second quarter, declares supplementary cash distribution**

**Calgary, August 17, 1999** -- PrimeWest Energy Trust (PrimeWest) today announced operating and financial results for the second quarter ended June 30, 1999, and declared a supplementary distribution of \$0.04 per trust unit, payable September 15 for unitholders of record on August 31, 1999.

**1999 second-quarter highlights**

- Cash flow from operations was \$0.29 per trust unit for the quarter, a 71 percent improvement over the \$0.17 per trust unit posted in the corresponding period in 1998. During the quarter, \$0.23 was distributed (\$0.21 in monthly distributions and a \$0.02 special distribution declared following first-quarter results).
- As at June 30, 1999, PrimeWest had accumulated an undistributed reserve of \$0.08 per trust unit. Of this, \$0.04 per trust unit will be distributed on September 15, and the remaining \$0.04 per trust unit will be held in reserve pending third-quarter results.
- Production averaged 11,816 barrels of oil equivalent per day (boepd) for the second quarter, compared with 12,860 boepd in the corresponding period last year. The second-quarter production decline was due primarily to short-term intra-provincial gas pipeline curtailments in British Columbia, deferral of some development projects and normal decline. As well, first-half drilling results were mixed, with disappointing results in the Caroline and Lone Pine Creek areas offset by some positive results in the Grand Forks area.
- The production outlook for the remainder of the year is positive, as a result of acquisitions in the late second quarter and early third quarter, and upcoming drilling and workover activities. PrimeWest acquired a working interest in the Bonnie Glen field (275 boepd) and additional working interests in the Grand Forks area (530 boepd). It is anticipated that these acquisitions, combined with incremental production from property enhancements, will provide PrimeWest with a 1999 exit rate of between 12,400 and 12,600 boepd.

PrimeWest Energy Trust is a Calgary-based oil and gas royalty trust, actively managed for the benefit of unitholders. The trust is engaged in the acquisition, development, production and sale of crude oil, natural gas and natural gas liquids in Western Canada.



**PrimeWest**  
E n e r g y   T r u s t

TSE TRADING SYMBOL PWI.UN

- Average selling prices for all products combined rose 28 percent compared with the same quarter in 1998, to \$21.32 per barrel of oil equivalent. Prices received for crude oil and natural gas liquids increased by 24 percent from second-quarter 1998 levels, reflecting an average West Texas Intermediate (WTI) crude oil price of US\$17.66 per barrel for the second quarter of 1999, as compared with US\$15.02 per barrel for the same period in 1998. The average price received for natural gas climbed by 34 percent, to \$2.21 per thousand cubic feet (Mcf), for the quarter ended June 30, 1999, compared with \$1.65 per Mcf in the same period in 1998.
- Operating costs declined from the corresponding quarter in 1998, both in total dollars (16 percent) and on a per-barrel-of-oil-equivalent basis (8 percent), due to continued cost-cutting initiatives.
- Beginning in July 1999 (with a payment date of August 13, 1999), PrimeWest increased its monthly cash distribution by \$0.03 per trust unit, from \$0.07 to \$0.10. The increase, the second in 1999, reflects continuing improvements in crude oil and natural gas prices, production additions realized in July and lower operating expenses. Coincidentally with the issuance of third-quarter 1999 results, PrimeWest will assess the required level of a supplementary distribution that would be payable December 15 for unitholders of record on November 30.

### Operating highlights

	Three months ended June 30			Six months ended June 30		
	1999	1998	Change	1999	1998	Change
<b>Daily sales volumes</b>						
Crude oil and natural gas liquids (barrels)	<b>7,082</b>	7,460	(5%)	<b>7,288</b>	6,763	8%
Natural gas (thousand cubic feet)	<b>47,342</b>	54,000	(12%)	<b>48,122</b>	51,600	(7%)
Total (barrels of oil equivalent)	<b>11,816</b>	12,860	(8%)	<b>12,100</b>	11,923	1%
<b>Average selling prices</b>						
Crude oil and natural gas liquids (\$/bbl)	<b>20.58</b>	16.59	24%	<b>17.90</b>	17.45	3%
Natural gas (\$/Mcf)	<b>2.21</b>	1.65	34%	<b>2.22</b>	1.68	32%
<b>Operating netback (\$/boe)</b>						
Revenues	<b>21.32</b>	16.69	28%	<b>19.69</b>	17.29	14%
Royalties, net of ARTC	<b>(3.38)</b>	(2.60)	30%	<b>(3.13)</b>	(3.13)	--
Operating expenses	<b>(6.41)</b>	(6.98)	(8%)	<b>(6.43)</b>	(6.97)	(8%)
Operating netback	<b>11.53</b>	7.11	62%	<b>10.13</b>	7.19	41%

## Financial highlights

(thousands of dollars except per-boe and per-trust-unit amounts)	Three months ended June 30			Six months ended June 30		
	1999	1998	Change	1999	1998	Change
Cash flow from operations	<b>9,726</b>	5,553	75%	<b>16,688</b>	10,060	66%
per boe	<b>9.05</b>	4.74	91%	<b>7.62</b>	4.66	64%
per trust unit	<b>0.29</b>	0.17	71%	<b>0.50</b>	0.33	52%
Operating revenues, net of royalties	<b>19,293</b>	16,495	17%	<b>36,274</b>	30,549	19%
per boe	<b>17.94</b>	14.09	27%	<b>16.56</b>	14.16	17%
per trust unit	<b>0.58</b>	0.50	16%	<b>1.10</b>	1.01	9%
Operating expenses	<b>6,895</b>	8,172	(16%)	<b>14,075</b>	15,040	(6%)
per boe	<b>6.41</b>	6.98	(8%)	<b>6.43</b>	6.97	(8%)
per trust unit	<b>0.21</b>	0.25	(16%)	<b>0.43</b>	0.50	(14%)
G&A expenses and management fees	<b>1,732</b>	1,712	1%	<b>3,319</b>	3,170	5%
per boe	<b>1.61</b>	1.47	10%	<b>1.52</b>	1.47	3%
per trust unit	<b>0.05</b>	0.05	-	<b>0.10</b>	0.10	-
Financing costs	<b>1,053</b>	1,175	(10%)	<b>2,192</b>	2,279	(4%)
per boe	<b>0.98</b>	1.00	(2%)	<b>1.00</b>	1.06	(6%)
per trust unit	<b>0.03</b>	0.04	(25%)	<b>0.07</b>	0.08	(13%)
Cash distributed to unitholders	<b>7,605</b>	7,255	5%	<b>13,553</b>	13,886	(2%)
per boe	<b>7.07</b>	6.20	14%	<b>6.19</b>	6.43	(4%)
per trust unit	<b>0.23</b>	0.22	5%	<b>0.41</b>	0.46	(11%)

(thousands of dollars)	June 30, 1999	March 31, 1999	December 31, 1998
Net debt (long-term debt less working capital)	<b>80,550</b>	74,516	70,637
Debt to current cash flow (annualized)	<b>2.07</b>	2.60	2.96

### 1999 second-quarter financial performance

- Revenues increased by 17 percent compared with the same period in 1998, primarily reflecting increased commodity prices offset by lower production volumes.
- On a per-barrel-of-oil-equivalent basis, operating expenses were \$6.41 for the quarter, a reduction of \$0.57, or eight percent, from the corresponding period in 1998.

Second-quarter results show the impact that commodity prices can have on our business; cash flow rose by 71 percent, despite a temporary dip in production. We have already brought production back up, and continue to make steady improvements on costs.

- Capital expenditures, net of property dispositions, totalled \$7.5 million during the quarter. Investment in the production enhancement program was \$4.3 million, and in property acquisitions, \$3.3 million. Proceeds from property dispositions were \$0.1 million.
- Expenditures totalling \$1.1 million, incurred in bids to acquire the trust units of two smaller conventional oil and gas royalty trusts, have been expensed in 1999 (\$0.9 million expensed in 1998). At June 30, 1999, the book value of investments held in connection with these bids was \$3.6 million (with an original cost of \$3.2 million), and the trust units had a market value of approximately \$4.5 million. PrimeWest will continue to evaluate its options as to the disposition of this investment. Meanwhile, distribution income and realized capital gains of \$0.7 million have been recorded as an offset to acquisition expenses incurred, and used to repay debt.
- Long-term debt including current portion at June 30, 1999 was \$85.1 million (\$2.57 per trust unit), up sixteen percent from \$73.1 million (\$2.21 per unit) at year-end 1998. Debt increased in the quarter due to net capital expenditures and an increase in working capital. After adjusting for working capital and the market value of marketable securities, debt was \$76.1 million (\$2.30 per trust unit).

“PrimeWest’s second quarter results show the impact that commodity prices can have on our business; cash flow rose by 71 percent despite a temporary dip in production,” said Vice-chairman and Chief Executive Officer, Kent MacIntyre. “We have already brought production back up, and we continue to make steady improvement on costs.”

“PrimeWest is pleased to have increased its monthly distribution rate, for the second time this year, to \$0.10 per trust unit. Stability of distributions and the steady growth of underlying assets are two fundamental priorities for us.”

## Developments and outlook

Like all other participants in the oil and gas industry, PrimeWest has been buoyed by strong and sustained improvements in the prices for crude oil, natural gas and natural gas liquids. Forward markets to year-end suggest continuing commodity-price strength relative to the second quarter. This, combined with continuing production-volume and operating-expense improvements, will have a direct and positive impact on PrimeWest's financial performance and the sustainable level of distributions going forward.

Meanwhile, an unprecedented number of large, high-quality properties has been or will soon be released for disposition by major integrated oil and gas producers. This industry development provides PrimeWest with an unusually high number of opportunities to significantly increase the size and life of its underlying asset base. The trust is actively pursuing such opportunities.

In June, PrimeWest announced the appointment of Tim Granger as Vice-president, Production. Mr. Granger replaces Al Kiernan, who will be retiring after more than 37 years in the industry.

In July, PrimeWest completed a transaction to acquire complementary interests in lands, wells and facilities in the Grand Forks area of southeastern Alberta, for \$4.9 million. The transaction is expected to add some 530 boepd of production, effective August 1, 1999.

## Stability of distributions and

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PrimeWest.

### **Year 2000 update**

As of June 30, 1999, remediation work on high-impact business and field operations systems was 95 percent complete. All critical hardware and systems in the Calgary head office are currently Y2K compliant. Testing of field hardware and systems continues, with a target completion date set for August 31, 1999.

Contingency planning continues for the remainder of the year in three principal areas: field operations, product-delivery interruption and key financial functions. PrimeWest also continues to assess the preparedness of key third parties, as our principal areas of vulnerability to the Y2K issue include a dependence on external power suppliers and transportation systems.

While PrimeWest is unable to ensure the readiness of all key business partners, based on work done to date, PrimeWest is not anticipating significant Y2K issues to arise. Costs associated with Y2K activities and remediation efforts are not expected to have a material impact on financial or operating results.

On behalf of the Board of Directors:

Kent J. MacIntyre  
Vice-chairman and  
Chief Executive Officer

D. Hugh Gillard  
President and  
Chief Operating Officer

**PRIMEWEST ENERGY TRUST  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(thousands of dollars)	<b>June 30, 1999</b>	December 31, 1998
<b>Assets</b>		
Current assets		
Cash	1,626	1,199
Accounts receivable	16,270	19,115
Short-term investments	3,624	3,212
Capital assets held for sale	-	3,400
Prepaid expenses	3,353	1,420
	<u>24,873</u>	<u>28,346</u>
Cash reserved for site restoration and reclamation	2,266	1,781
Capital assets	<u>281,484</u>	286,013
	<u><u>308,623</u></u>	<u><u>316,140</u></u>
<b>Liabilities and unitholders' equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	16,652	22,667
Accrued distributions to unitholders	2,315	1,981
Due to related company	1,321	1,223
Current portion of long-term debt	106	106
	<u>20,394</u>	25,977
Long-term debt	85,029	73,006
Site restoration and reclamation provision	4,728	3,943
	<u>110,151</u>	102,926
<b>Unitholders' equity</b>		
Net capital contributions	292,673	292,451
Accumulated loss	(9,589)	(8,364)
Accumulated cash distributions	(83,687)	(70,134)
Accumulated dividends	(925)	(739)
	<u>198,472</u>	213,214
	<u><u>308,623</u></u>	<u><u>316,140</u></u>

**PRIMEWEST ENERGY TRUST  
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (UNAUDITED)**

(thousands of dollars)	<b>June 30, 1999</b>	December 31, 1998
Unitholders' equity, beginning of the year	213,214	193,364
Net loss for the period	(1,226)	(13,547)
Net capital contributions	223	59,463
Cash distributions	(13,553)	(25,769)
Dividends	(186)	(297)
Unitholders' equity, end of the period	<u>198,472</u>	<u>213,214</u>

**PRIMEWEST ENERGY TRUST  
CONSOLIDATED STATEMENTS OF INCOME AND  
CASH AVAILABLE FOR DISTRIBUTION (UNAUDITED)**

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
(thousands of dollars, except for per-trust-unit and number of units)				
<b>REVENUES</b>				
Sales of crude oil, natural gas, natural gas liquids, and sulphur	<b>22,860</b>	19,519	<b>43,003</b>	37,283
Crown and other royalties, net of ARTC	<b>(3,633)</b>	(3,039)	<b>(6,852)</b>	(6,756)
Other income	<b>77</b>	15	<b>828</b>	22
	<b>19,304</b>	16,495	<b>36,979</b>	30,549
<b>EXPENSES</b>				
Operating	<b>6,895</b>	8,172	<b>14,075</b>	15,040
General and administrative	<b>1,291</b>	1,388	<b>2,519</b>	2,557
Interest	<b>1,053</b>	1,175	<b>2,192</b>	2,279
Corporate acquisition costs	<b>139</b>	-	<b>1,138</b>	-
Management fees	<b>441</b>	324	<b>800</b>	613
Depletion, depreciation and amortization	<b>8,654</b>	10,143	<b>17,481</b>	17,695
	<b>18,473</b>	21,202	<b>38,205</b>	38,184
<b>Net income (loss) for the period</b>	<b>831</b>	(4,707)	<b>(1,226)</b>	(7,635)
Add back (deduct) amounts to reconcile to distribution:				
Reserve to fund future production costs	<b>(1,813)</b>	2,194	<b>(2,756)</b>	4,146
Corporate acquisition income, net of costs	<b>128</b>	-	<b>433</b>	-
Depletion, depreciation and amortization	<b>8,654</b>	10,143	<b>17,481</b>	17,695
Contribution to reclamation fund	<b>(231)</b>	(418)	<b>(454)</b>	(418)
Management fees paid in trust units	<b>113</b>	117	<b>212</b>	239
	<b>6,851</b>	12,036	<b>14,916</b>	21,662
<b>CASH AVAILABLE FOR DISTRIBUTION</b>	<b>7,682</b>	7,329	<b>13,690</b>	14,027
Cash available to trust unitholders (99 percent)	<b>7,605</b>	7,255	<b>13,553</b>	13,886
Cash available for distribution per trust unit	<b>0.23</b>	0.22	<b>0.41</b>	0.46
Net income (loss) per trust unit	<b>0.03</b>	(0.14)	<b>(0.04)</b>	(0.25)
Trust units issued and outstanding	<b>33,069,350</b>	32,979,109	<b>33,069,350</b>	32,979,109
Weighted average trust units outstanding	<b>33,065,844</b>	32,976,381	<b>33,055,815</b>	30,361,774

**PRIMEWEST ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**(UNAUDITED)**

(thousands of dollars)

<b>For the six months ended June 30,</b>	<b>1999</b>	1998
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	<b>(1,226)</b>	(7,635)
Add: Items not involving cash from operations		
Depletion, depreciation and amortization	<b>17,481</b>	17,695
Corporate acquisition costs	<b>1,138</b>	-
Investment income	<b>(705)</b>	-
Funds from operations	<b>16,688</b>	10,060
Change in non-cash working capital	<b>(5,004)</b>	(2,226)
	<b>11,684</b>	7,834
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of trust units (net of costs)	<b>223</b>	59,090
Cash distributions to unitholders	<b>(13,553)</b>	(13,886)
Dividends	<b>(186)</b>	(136)
Increase in long-term debt	<b>12,023</b>	4,295
Change in non-cash working capital	<b>332</b>	(7,752)
	<b>(1,161)</b>	41,611
<b>INVESTING ACTIVITIES</b>		
Expenditures on capital assets	<b>(7,610)</b>	(7,336)
Acquisition of capital assets	<b>(4,642)</b>	(61,514)
Proceeds on disposal of capital assets	<b>3,654</b>	8,350
Cash reserved for future site restoration and reclamation	<b>(485)</b>	(330)
Expenditures on site restoration and reclamation	<b>(168)</b>	(49)
Gain on deemed disposition of units and investment income	<b>705</b>	-
Increase in short-term investments	<b>(412)</b>	-
Corporate acquisition costs	<b>(1,138)</b>	-
	<b>(10,096)</b>	(60,879)
Increase (decrease) in cash for the period	<b>427</b>	(11,434)
Cash, beginning of the year	<b>1,199</b>	10,713
Cash, (bank indebtedness) end of the period	<b>1,626</b>	(721)

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## Trading performance

	For the quarter ended				
	June 30/99	Mar 31/99	Dec 31/98	Sept 30/98	June 30/98
Unit prices (dollars per trust unit)					
High	<b>7.05</b>	6.05	6.50	7.10	7.65
Low	<b>5.75</b>	4.75	4.78	5.15	6.30
Close	<b>6.80</b>	6.00	5.05	5.80	6.55
Volume traded (millions of units)	<b>2.37</b>	3.76	3.55	2.77	5.00
Number of units outstanding (millions of units)	<b>33.07</b>	33.04	33.00	32.99	32.98
Distribution paid per trust unit	<b>\$0.23</b>	\$0.18	\$0.18	\$0.18	\$0.22

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